Postal Regulatory Commission
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DOW JONES

Daniel S. Crisp
Vice President/Distribution
Tel: (609) 520 4869
Email: dan.crisp@dowjones.com

February 28, 2018

U.S. Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, DC 20268-0001

RE: 10-Year Rate System Review
Docket No. RM2017-3
Order No. 4258

Dear Commissioners,

Pre-paid customers of Dow Jones & Co., Inc. expect timely and efficient delivery of our print news products six days each week. This includes 10% who receive their products through the U.S. Postal Service – a combined 30.25 million pieces in 2017. As are most in the newspaper distribution industry, I am writing to express my strong opposition to the rate-making framework you have proposed as a result of your 10-year review of the CPI-based annual price cap established under the *Postal Accountability and Enhancement Act*.

By the Postal Regulatory Commission's (PRC) conservative estimates, which assume a 2% CPI, this proposal would raise Periodicals by more than 40% over five years. This equates to an incremental $2.5 million more than the CPI cap in place today for Dow Jones. Your proposal will absolutely cause us to continue to find alternate delivery sources and reduce the number of copies we distribute through your system, shifting more volume to traditional newspaper contractors/carriers at 75% of our Feb. 2018 postal rate.

The PRC rate proposal would give the U.S. Postal Service use-it-or-lose-it authority, which it most certainly would use in full, to raise rates by at least 2% above the CPI for each market-dominant rate class for five years. Furthermore, the rate proposal allows an additional 1% for adhering to service standards and productivity targets. The proposed service standards and productivity target increases do not go far enough to encourage operational savings or achievement of service performance for the Postal Service. We believe postal increases should be based as an incentive by attaining service performance improvements defined and overseen by the PRC.

The PRC's proposal provides the Postal Service broad pricing flexibility at a time when already tight margins and pricing uncertainty could easily destabilize the mail supply chain and encourage users of the mail to seek alternative channels for distribution.

The proposal is not in the best interests of the Postal Service or the mail supply chain as a whole. By damaging the mail supply chain, it also threatens the Postal Service's source of revenue. Furthermore, the current CPI cap system incents the Postal Service to reduce costs and increase efficiency -- the first objective of the rate cap established by Congress. As economists expect inflation to start to increase, now is not the time to reduce the incentives for the Postal Service to become leaner and more efficient.

Finally, these massive rate increases are completely unnecessary. Of the Postal Service's accumulated $59.113 billion loss, $54.8 billion was due solely to the requirement that it prefund its financially healthy retiree health plan. Congressional action to eliminate this harmful requirement is what is needed, not excessive rate increases that will cripple this industry.

As a member of News Media Alliance, I am also attaching our group's comment to this letter. Please consider both documents as part of our comment.

We urge you to reconsider your decision to impose the proposed rate framework, and instead focus on rate increases specifically tied to cost efficiencies of the Postal Service. As a business, we have fundamentally reduced our costs and created quality products and services to meet new and evolving customer needs and current business dynamics. Your proposed rule puts the onus for cost reduction on our business, not on the Postal Service. Your proposal would do fundamental and long-lasting harm to the mail supply chain and the viability of mail as a central channel for communication and commerce.

Regards,

Daniel S. Crisp
VP/Distribution
Dow Jones & Co.

Enclosure: NMA Comments to PRC 3.1.18

cc: Joanne Dowdell
Matt Wilkins